



Request for City Council Committee Action From the Department of Finance and Property Services

Date: June 15, 2015

To: Council Member John Quincy, Chair of Ways & Means Committee

Subject: **Potential Acquisition of the Roof Depot Property**

Recommendation:

That proper City officers be authorized to negotiate for the possible acquisition of 1860 28th Street East and 2717 Longfellow Avenue, commonly referred to as the "Roof Depot" properties, for the expansion of the City's Hiawatha Campus.

Previous Directives:

- Dec 11, 2013 Council Resolution 2013R-573 appropriating an additional \$4M for the acquisition and development of a new Water Distribution Facility
- Dec 12, 2012 Council Resolution 2012R-655 appropriating \$3M for the acquisition and development of a new Water Distribution Facility project.
- April 6, 2001 Council Action authorizing discussions with the Roof Depot owners about possible City acquisition of their property.

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Approved by:

Kevin Carpenter, Chief Financial Officer, Finance and Property Services Dept.

Spencer Cronk, City Coordinator, Co-chair, FSAM Committee

Steve Kotke, City Engineer, Co-chair FSAM Committee

Presenters: Greg Goeke, Director of Property Services, Finance and Property Services Dept.

Reviews

Permanent Review Committee (PRC): Approval _NA

Civil Rights Approval Approval _NA

Facilities, Space & Asset
Committee (FSAM) Approval 8/28/2014 and 5/28/2015

Policy Review Group (PRG): Approval _NA

Financial Impact

No appropriation is needed at this time. Staff will return to committee with terms and conditions of potential acquisition. If additional appropriation is needed it will be requested at that time.

Action is within the Business Plan

Community Impact

Neighborhood Notification: Staff has conducted meetings with East Phillips Improvement Coalition, Midtown Phillips Neighborhood Association, Tamales y Bicicletas, and Little Earth of United Tribes

City Goals: A City that works: City government runs well and connects to the community it serves

Comprehensive Plan: No Change

Zoning Code: No Change

Background/Supporting Information

Purpose for potential acquisition

The potential acquisition of 1860 28th Street East and 2717 Longfellow Avenue, referred to as the Roof Depot, properties would allow for the planned expansion of the existing City-owned Hiawatha Campus for Municipal Operations. The current and most immediate need is to relocate and consolidate the Public Works Water Distribution Maintenance operation.

The existing Water Distribution Maintenance facilities (referred to as the Water East Yard) are located at 935 5th Avenue SE. This site serves as the base of operations for the water distribution system maintenance and construction operations of the Water Treatment and Distribution Division of Public Works. The Water Meter operations (currently located at the Water Treatment campus in Fridley) have been organizationally merged with Water Distribution Maintenance. When the two work units are consolidated and co-located in the same facility and site the field staff and equipment can be utilized cross functionally to achieve operational efficiencies and improved service to the public.

On a larger scale, co-locating Water Distribution Maintenance with other Public Works divisions on a combined consolidated campus provides for even more potential for cross utilization of field staff and equipment and to coordinate work more effectively.

Current Facilities are functionally obsolete

The current East Yard site is comprised of multiple structures of various sizes and types, circulation space, construction yard space, and site storage spaces that are intermingled with employee parking areas. These facilities, due to size, age, location, and changes in function over time, no longer provide adequate or efficient use of space for the required Water Distribution Maintenance operations. Several of the buildings have exceeded their useful life and need to be replaced, while others are in need of major repairs and rehabilitation in order to continue service. The existing facilities are deficient in a variety of functional areas including: heating, air conditioning, power, lighting, security and communications. The existing Meter operations facility is in similar condition to the East Yard.

Since 1991, capital improvements have been purposely deferred for the Water Distribution Maintenance facilities with the concept that the facilities would be relocated and replaced with modern facilities to meet the long term operational needs.

Site first identified as a potential acquisition in 1991

The Roof Depot site was first identified as a desirable acquisition in the 1991 Public Works Comprehensive Facility Master Plan. That report laid the groundwork for the development of two centrally-located primary “Service Nodes” aka Campuses. The area at Hiawatha Ave between E 26th and E 28th Streets was designated as Primary Service Node 2 and later became known as the “Hiawatha Campus”. The 1991 vision for the Roof Depot property is the same as today’s request – to expand the City-owned land in the area, allowing the consolidation of staff and equipment and the streamlining of operations. Centrally located campuses also provide for efficient travel times to work sites.

This development direction was reaffirmed in 2001, when the Mayor and City Council authorized City officers to begin discussions with the Roof Depot owners for acquisition of the property. However, due to a variety of issues at the time, including the high costs of relocating tenants, Staff recommended to City leadership that the potential acquisition be pursued at a later date when terms and conditions could potentially be more favorable. Potential acquisition was also informally revisited in 2007 just prior to the Hiawatha Maintenance Facility being designed and constructed.

The Roof Depot site is larger than what is needed to house the Water Maintenance Operation. The current ownership is open to discussions of selling the entire site to the City, but not interested in dividing the property for a smaller scale sale to the City.

Why this site over other locations?

Staff and the City’s internal Facilities, Space and Asset Management (FSAM) Committee continue to recommend the acquisition of the Roof Depot property to continue to consolidate Municipal Operations on campuses that are on or adjacent to transportation networks.

The adjacency of the Roof Depot parcels (approximately 7.5 acres) to the existing Hiawatha facility, coupled with the City’s long-term vision for consolidation at the Hiawatha Campus, align well with strategic planning strategies for siting public facilities. The larger combined site would provide opportunities to accommodate other municipal needs. The Water Distribution Maintenance function would need approximately 50% of the Roof Depot site. Requirements for landscaping, setbacks, storm water management, internal drive lanes, etc. will utilize another 20% of the site leaving approximately 30% of the site for other municipal needs (both interim and long term). Possible uses for that remaining space include a variety of other Public Works operations (taking further advantage of adjacencies with the existing Hiawatha campus), as well as certain other municipal operations in need of consolidated or new space such as police property and evidence or municipal elections.

Also, if the Roof Depot property were to be acquired for municipal operations, the locations currently housing those operations would be freed up for other uses or private development. As an example, the current East Yard location is planned to house the new Fire Station #11, which solves a long-standing access and response time issue at the existing Fire Station #11 location (229 6th Street SE), and frees that spot for development.

Additional rationale supporting this recommendation from FSAM:

- The land is zoned for industrial purposes, (both I-1 and I-2 classifications) and the various uses by the City fit within these classifications with requirement and issuance of

a conditional use permit (to be completed as part of the Site Plan Review). Furthermore, the area is designated as an Industrial Employment District.

- There is a scarcity of Industrially-zoned land available for sale in Minneapolis and is of extremely limited supply in the southern half of the City.
- Centralizing municipal operations on campuses located along transportation corridors is consistent with Community, Planning and Economic Development (CPED) planning publication dated September 2011, titled Siting of Public Facilities.
- The land lies outside of the CPED-designated Opportunity Corridors – areas where significant redevelopment is likely to occur.
- The property is centrally located with good access to public transportation and the arterial traffic routes throughout Minneapolis.
- The combined site will be large enough to provide future flexibility as the City's needs change.

Neighborhood Concerns

Staffs from Finance and Property Services, Public Works, and Community, Planning and Economic Development have met on several occasions with Council Member Alondra Cano and community leaders who have expressed concerns and/or opposition to the City's potential acquisition. In general, the neighborhood organization's representatives would prefer a non-industrial use, whether City or privately owned and that portion of the site be dedicated to community interests.

Neighborhood concerns about the City's Water Maintenance operation centered on concerns for increasing airborne emissions (as it relates to Asthma) and concerns of traffic impacts at the intersections of 26th and 28th Avenue and Minnesota Highway 55.

Vehicle Emission Study

Prior to potential acquisition, Staff intends to contract with a qualified independent qualified consulting agency to assess and quantify the impact to air quality of the Water Distribution Maintenance operations.

Environmental Phase I and II Reports

The City of Minneapolis has begun Phase I & II Environmental Site Assessment work, and commissioned a Building Hazardous Materials Inspection. The land has a long history of industrial use and various sources of pollution. As standard practice, if the City decides to acquire and develop the site, all normal protocols and procedures (working with the MPCA) will be followed. This would include hiring consultants and contractors who are properly licensed to complete necessary remediation work.

Traffic Impact Study

Prior to potential acquisition, Staff intends to contract with an independent qualified consulting agency to conduct a traffic impact study. This is a standard practice when relocating a City operation.

Timing is favorable

The opportunity to purchase the property is now, as the Roof Depot ownership is open to selling the property. The main tenant's lease expires August 31, 2016. If the owner does not sell the property, they will undoubtedly look to extend or attract new tenants to lease space, making

purchasing the property at a later date significantly more expensive, due to laws requiring the City to pay relocation expenses for displaced owners and tenants.

If purchased, the City will develop the property responsibly as demonstrated by the Phase 1 Hiawatha Maintenance Facility which was national recognized by the US Green Building Council (USGBC) and earned the Leadership in Energy and Environmental Design (LEED) platinum level certification (highest level of quality).

As noted, in recent years, \$7 million has been appropriated to the Capital Project WTR18 Water Distribution Facility project, partly in anticipation of funding site acquisition. An additional \$16.5 million has been requested in the 2016-2020 Capital Budget Request process to develop the property to meet Water Distribution programmed needs.

For these reasons, Staff requests, and the FSAM committee recommends, authorization to begin negotiations for this potential purchase. If general terms of an acquisition can be reached with the owners, staff will return to this Committee for a public hearing and to request approval of the negotiated acquisition terms and conditions.